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First semester 2018 results

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Basis of preparation

Segment information

The Identity, IoT & Cybersecurity segment comprises businesses associated with homeland security for governments (“Governments”), IoT connectivity for industrial applications (“IoT”) and cybersecurity for enterprises (“Cybersecurity”).

The Smartcards & Issuance segment comprises businesses mainly associated with removable SIM cards (“SIM”), payment cards (“Payment”) and their issuance services. The segment includes as well businesses associated to the digital transformation of smart cards (“Digital”) such as digital payment, digital banking, remote subscription management, embedded SIM/MIM and embedded secure elements. Patents business is also included in this segment.

Adjusted income statement and profit from operations (PFO)

PFO is a non-GAAP measure defined as IFRS operating profit adjusted for (i) the amortization and impairment of intangibles resulting from acquisitions, (ii) restructuring and acquisition-related expenses, (iii) all equity-based compensation charges and associated costs; and (iv) fair value adjustments upon business acquisitions.

In the adjusted income statement, Operating Expenses are defined as the sum of Research and Engineering, Sales and Marketing, General and Administrative expenses, Other income and Other expenses.

Currency exchange rates

In this presentation, revenue variations are at constant exchange rates, and all other figures are at historical exchange rates, except where otherwise noted.

Net debt and net cash

Net debt is a non IFRS measure defined as total borrowings net of cash and cash equivalents. Net cash is a non IFRS measure defined as cash and cash equivalents net of total borrowings.

All figures presented in this presentation are unaudited

Philippe VALLEE - CEO

Overview

First semester 2018 highlights

- **Revenue grew +2% organically** (excluding the contribution from the Identity Management Business) to **€1.4 billion** and **profit from operations (PFO) at €92 million** in line with our expectations
- **Identity, IoT & Cybersecurity: Double-digit revenue growth** and **strong investment** to capture market opportunities
- **Smartcards & Issuance:** Operational performance and transition plan **on track**
- **2018 full year outlook confirmed**

Virginie DUPERAT-VERGNE, CFO

Financial performance

Key figures from H1 2018 financial results

Revenue +6%	€1,387m		<i>at historical rates</i> =
Gross profit (1%)	€497m	36%	<i>Gross margin</i> (0.1 pp)
Operating expenses (1%)	(€406m)	(29%)	<i>OpEx ratio</i> +0.1 pp
Profit from operations (1%)	€92m	7%	<i>PFO margin</i> (0.1 pp)
Earnings per share +68%	€0.74		

Extracts from the adjusted income statement

Identity, IoT & Cybersecurity – H1 2018 key financial information

Revenue
+20%
€644m
(H1 2017: €572m)

Gross Profit
+11%
€265m
(H1 2017: €238m)

Gross Margin
(0.4) pp
41.2%
(H1 2017: 41.6%)

Profit from operations
+21%
€49m
(H1 2017: € 41m)

PFO Margin
+0.5 pp
7.6%
(H1 2017: 7.1%)

- First semester revenue grew +20%
 - Governments: solid deliveries in Europe & Asia. UK passport win
 - Cybersecurity: momentum as organizations focus on data privacy & security notably in Europe
 - IoT: outstanding performance on the back of record deliveries in Europe and Asia in key industrial sectors
- Gross profit up +11% at €265 million notably driven by the full semester contribution of the Identity Management Business
- Operating expenses increased by €19 million up +10%
 - Increased R&D investments in Governments and IoT businesses
 - Increased in Cybersecurity to expand sales channel
- Profit from operations came in at €49 million, 7.6% of the segment revenue

Smartcards & Issuance – H1 2018 key financial information

Revenue
(3%)

€743m

(H1 2017: €820m)

Gross Profit
(12%)

€232m

(H1 2017: €264m)

Gross Margin
(1.0 pp)

31.2%

(H1 2017: 32.2%)

Profit from operations
(18%)

€ 42m

(H1 2017: € 52m)

PFO Margin
(0.6 pp)

5.7%

(H1 2017: 6.3%)

- First semester revenue decreased by (3%)
 - Payment: US EMV normalize. Strong deliveries in CIS, Middle East and Latin America
 - Removable SIM: exit of a low-end SIM market. Selective business opportunities
 - Digital: Revenue pressure notably in payment
- Gross profit down (12%) at €232 million
- Operating expenses decreased by (€22) million down to €190 million
 - Initial benefits of the transition plan
- Profit from operations came in at €42 million, 5.7% of the segment revenue

Transition plan on track

✓ 2017

Around

€15M

Positive PFO impact in 2017

Transition plan announcement in H1 2017

1. SIM and related services:

- ✓ Refocus on key geographical areas → adapt sales force
- ✓ Portfolio review in services → Marketing and delivery resource optimization / shut down of a sub business line

2. Payment:

- ✓ Footprint optimization → manufacturing rationalization (i.e. US, China)

2018 on track

~ €50M

Positive PFO impact in 2018

1. Measures launched in 2017
2. Exit of removable SIM low end market
3. French restructuring plan completed
4. Manufacturing footprint optimization

Going forward

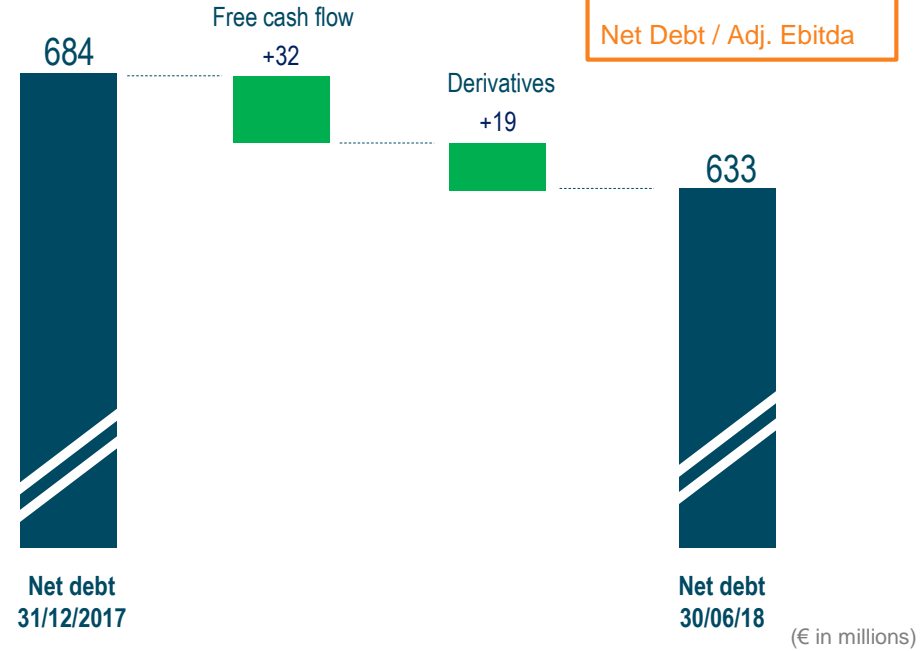
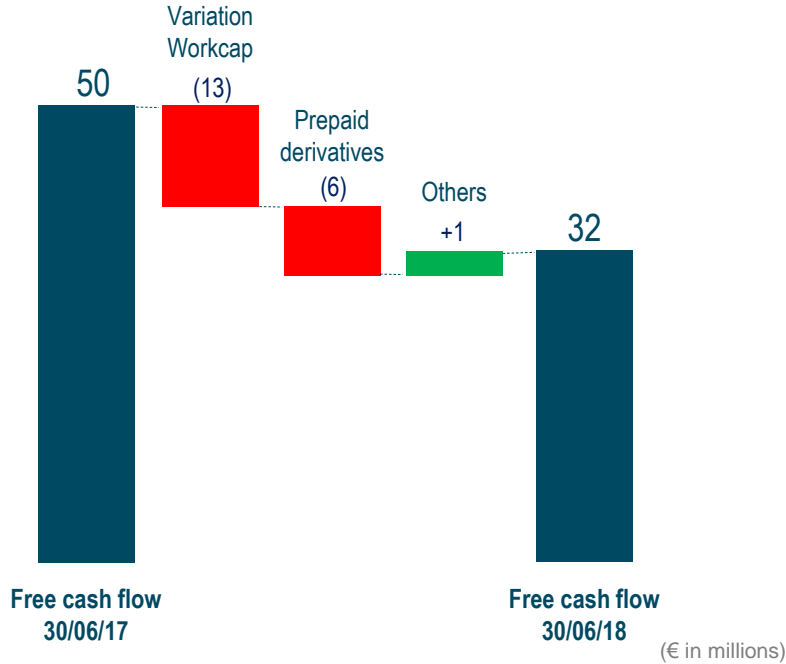
Above

€50M

Positive PFO impact

1. Full effect of the measures launched in 2017 & 2018
2. Further portfolio optimization

Free cash flow generation and net debt reduction



1.4x
Net Debt / Adj. Ebitda

Philippe VALLEE - CEO

Moving forward

Governments business: Reinforce leadership in Biometrics and Civil Identity

Offers



ID Documents & Solutions



ID Verification & Commercial Biometrics



Market drivers

Secure documents market penetration up in response to:

- Need to improve citizen services while reducing costs & fraud
- Need to address Road Safety concerns on a worldwide basis

Secure ID documents¹ represents 29% of all secure documents in 2017 with a CAGR of +10%

Rapid growth in biometric ID solutions driven by:

- More international travelers and airports
- United Nations goal of “Legal Identity for All” by 2030, with Citizens biometric enrolment
- Increased need for Identity Verification and Proofing (eKYC)

Ambition



ID Documents & Solutions

- Remain undisputed #1 in secure documents
- Take a leading position on Digital ID
- Grow Road Safety in the US & in developing countries with new business models



ID Verification & Commercial Biometrics

- Consolidate #1 position in Border management
- Grow faster than market with inclusive ID solutions
- Take a position in Commercial Biometrics

Key areas of focus for H218

■ Identity, IoT & Cybersecurity

- Reinforce leadership in Biometrics and Civil Identity
- Leverage on strong momentum in data protection
- Capture opportunities in healthcare, metering and security markets

■ Smartcards & Issuance

- Selective sales strategy aligned with profit margin objectives
- Refocus portfolio
- Lead market in digitalization

Outlook 2018 confirmed

- ✓ **Double digit revenue growth** expected in the Identity, IoT & Cybersecurity segment
- ✓ **Stable PFO margin** expected in the Smartcards & Issuance segment
- ✓ **Mid to High single digit growth** in profit from operations expected at Gemalto level

Gemalto

Enabling trust in the digital world